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ARIZONA CORPORATION COMMISSION  
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Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007-2996

Arizona Corporation Commission  
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**Re: Docket No. E-20633A-08-0513; Application for a Declaratory Order that Providers of Certain Solar Service Agreements Would Not be Public Service Corporations ("Application")**

Dear Commissioners:

On October 3, 2008, the Solar Alliance filed an Application with the Arizona Corporation Commission seeking a Declaratory Order that providers of Solar Service Agreements ("SSAs") would not be Public Service Corporations ("PSC") pursuant to Arizona law. The Interstate Renewable Energy Council ("IREC") submits this letter in support of the Application and asks that the Commission grant the relief requested in the Application expeditiously and without hearing.

For over two decades, IREC has worked as a non-profit organization whose mission is to accelerate the sustainable utilization of renewable energy sources and technologies in and through state and local government and community activities. With funding from the U.S. Department of Energy, IREC's mission includes assisting policymakers in identifying best practices necessary to achieving this goal. As discussed in the Application and this letter, third-party ownership arrangements, such as SSAs, have become an important component in the creation of a robust solar energy sector.

SSAs have become an important component in the creation of a robust solar energy sector because SSAs allow businesses, governmental entities, schools, religious organizations, and non-profit groups interested in supporting renewable energy but lack the necessary capital to invest in such facilities or lack sufficient taxable income to fully capture available federal tax credits and incentives for accelerated depreciation of solar equipment available to assist in financing a solar energy system. As noted in the Application, by combining federal investment tax credits with, the capital cost of a solar energy system can be reduced by up to 60 percent.<sup>1</sup>

<sup>1</sup> See Solar Energy Industry Association, Guide to Federal Tax Incentives for Solar Energy, Version 1.2, Executive Summary.

As a matter of basic economic principles, this reduction in cost through the use of an SSA spurs the growth of solar by allowing customers interested in investing in solar energy to do so at significantly less cost.

Recent reports have highlighted the increasing use of third-party ownership arrangements, such as SSAs, and their importance in accelerating the rate of adoption and development of solar.<sup>2</sup> In fact, a review of the most recent data from the California Solar Initiative includes an estimate that approximately 102.1 MW of solar has been developed under third-party ownership arrangements.<sup>3</sup> These MWs represent approximately 41% of the capacity for all applications in the history of the program.<sup>4</sup> According to the Energy Trust of Oregon, in 2008, more than 80% of the commercial solar installations in Oregon involved third-party ownership arrangements, which represented approximately \$35 million of private investment in new clean renewable resources in Oregon.<sup>5</sup> Given the benefits of SSAs, such growth should not be surprising and should be encouraged.

IREC is aware of significant use of third-party ownership arrangements in California, New Jersey, Oregon, and Colorado. These states appear to have minimal regulation of SSAs and third-party owners are not treated as utilities. IREC is not aware of any state commission maintaining active oversight of the private contracts between third-party owners and host customers. In Oregon, the Public Utilities Commission recently addressed the issue in response to a joint request by PacifiCorp and Honeywell and quickly determined that third-party owners would not be treated as utilities.<sup>6</sup> This decision allowed solar service providers using SSAs to bring the benefits of these arrangements to Oregon's residents. The California Public Utilities Commission recently reaffirmed its support for third-party ownership arrangements in Decision No. 08-10-036.<sup>7</sup>

IREC appreciates the opportunity to present this letter in support of the Solar Alliance's Application. As demonstrated in the Application, SSAs are an important component in developing solar energy projects nationwide. By granting the relief requested in the Application, the Commission will send a strong signal to Arizonans that their efforts to invest in Arizona's clean energy future will be supported.

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<sup>2</sup> See Greentech Media, Inc., "Solar Power Services: How PPAs are Changing the PV Value Chain," (Feb. 14, 2008), available at: <http://www.greentechmedia.com/reports/research-report-solar-power-services.html>; Energy Trust of Oregon, Inc., Opening Brief and Waiver of Paper Service of Energy Trust of Oregon, Inc., Docket No. DR 40 (June 30, 2008) (Energy Trust Opening Brief), available at: <http://apps.puc.state.or.us/edockets/edocs.asp?FileType=HBC&FileName=dr40hbc143832.pdf>.

<sup>3</sup> California Solar initiative, California Public Utilities Commission Staff Report, July 2008, pp. 30-31, available at: <http://www.energy.ca.gov/2008publications/CPUC-1000-2008-020/CPUC-1000-2008-020.PDF>

<sup>4</sup> Id.

<sup>5</sup> See Energy Trust Opening Brief, p. 2.

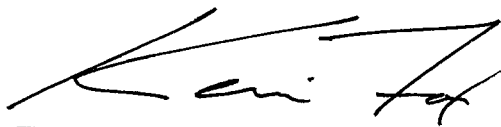
<sup>6</sup> See Oregon Public Utilities Commission Docket DR 40, Final Order, June 6, 2008, available at: <http://apps.puc.state.or.us/orders/2008ords/08-388.pdf>.

<sup>7</sup> See Decision No. 08-10-036, *Decision Establishing Multifamily Affordable Solar Housing Program within the California Solar Initiative*, Rulemaking No. 08-03-008 (October 16, 2008), p. 38.

If you have any questions, please do not hesitate to contact the undersigned at (510) 381-3052.

Sincerely,

Interstate Renewable Energy Council

By: 

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cc: Scott S. Wakefield, Attorney for the Solar Alliance  
Ernest G. Johnson, Director, Utilities Division  
Janice Alward, Chief Counsel, Arizona Corporation Commission  
Lyn Farmer, Chief Administrative Law Judge